

Health Care Reform: Putting Patients in the Driver's Seat

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June 19, 2007

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Health Care System Problems

- **High Cost of Medical Care**
- **Lack of Quality Care**
- **Inadequate Access to Care**

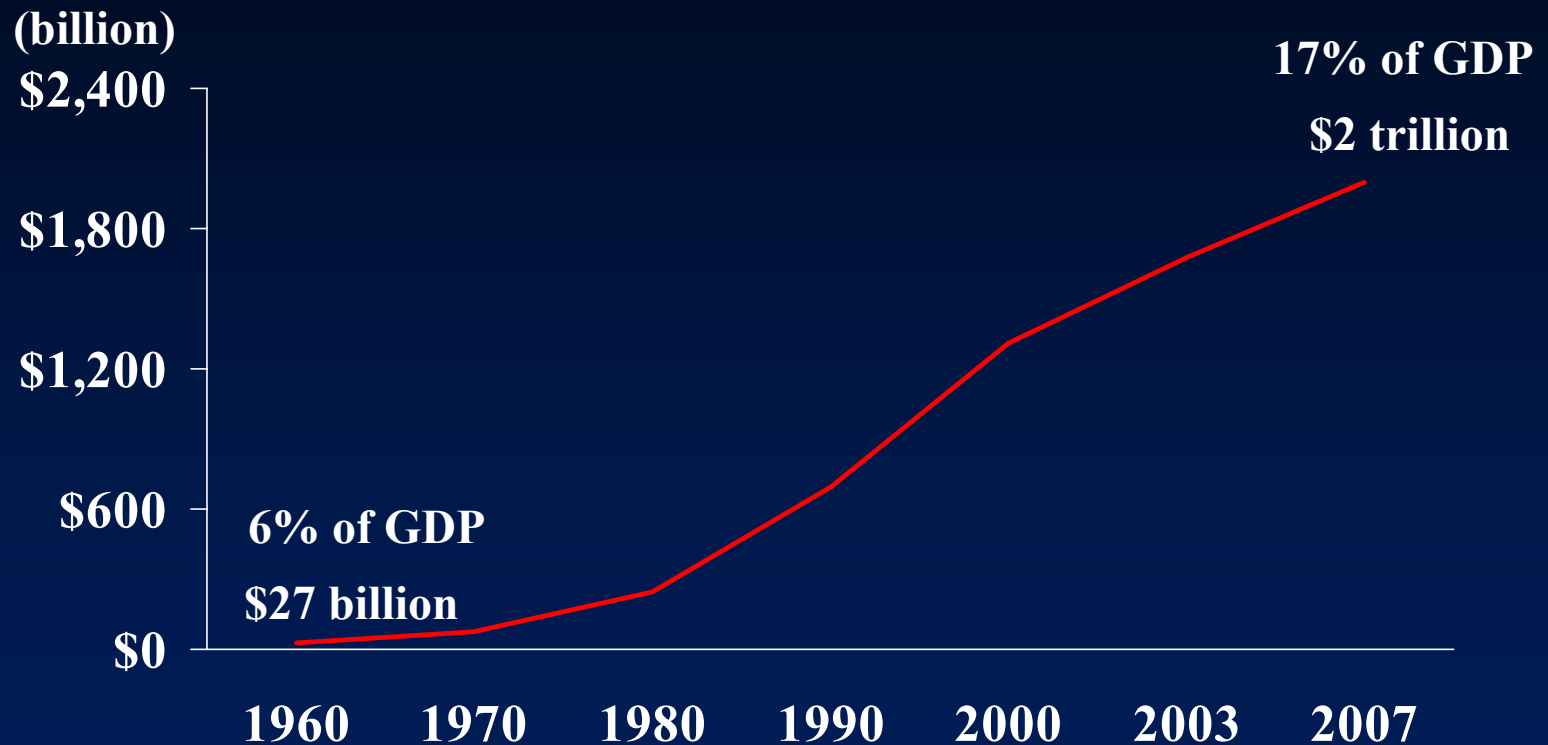


The Cost Problem

- **Medical Expenditure Rising at Twice the Rate of National Income**
- **Medical Spending will Crowd Out Other Spending by 2050**
- **Medical Prices Rise at Three Times the Rate of Inflation**
- **Nearly One-Third of Spending is on Patients in the Last Year of Life**



National Health Expenditures (1960 to 2007)

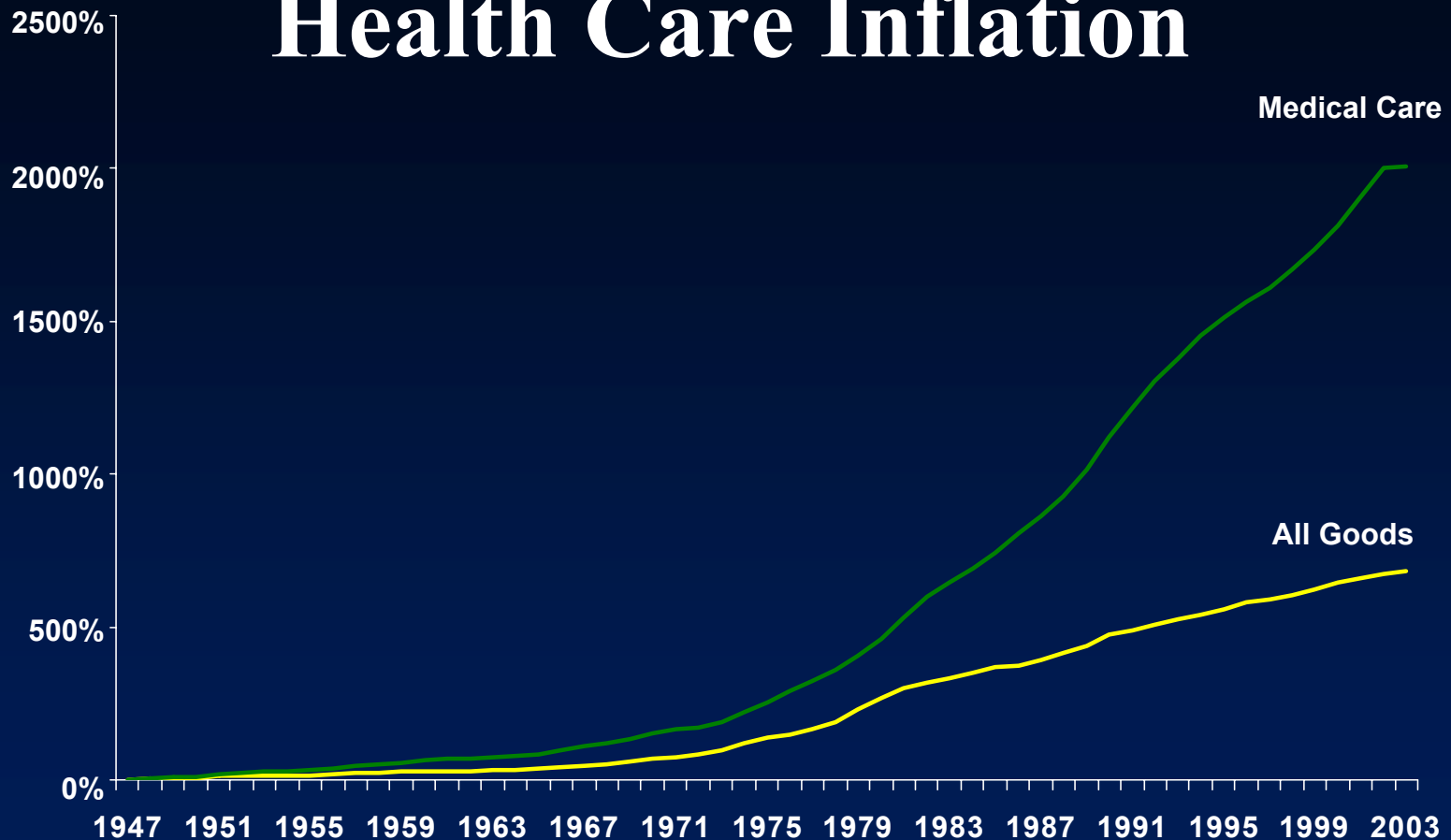


Source: *Health, United States, 2004* (Hyattsville, Maryland: National Center for Health Statistics, 2004).

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Health Care Inflation



Source: Author calculation using data from the Consumer Price Index (CPI).

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Prominent Health Proposals

- **None of the Current Proposals Does Anything to Reduce Spending**
 - **Some Plans Would Result in a One-Time Reduction in Cost**
 - **Most Would Merely Shift Costs to Different Groups**
- ✓ *We know this because none would allow consumers to decide between health care and other uses for their money.*



Quality Problems with Health Care

- **Up to 98,000 People Die Annually of Medical Errors**
- **Doctors are 3rd Leading Cause of Death**
- **People Receive Preferred Treatment Only Half the Time**
- ✓ *Where excellence exists, due to the enthusiasm of a few dedicated individuals. But it is rarely replicated because higher quality often pays providers less than low quality care.*

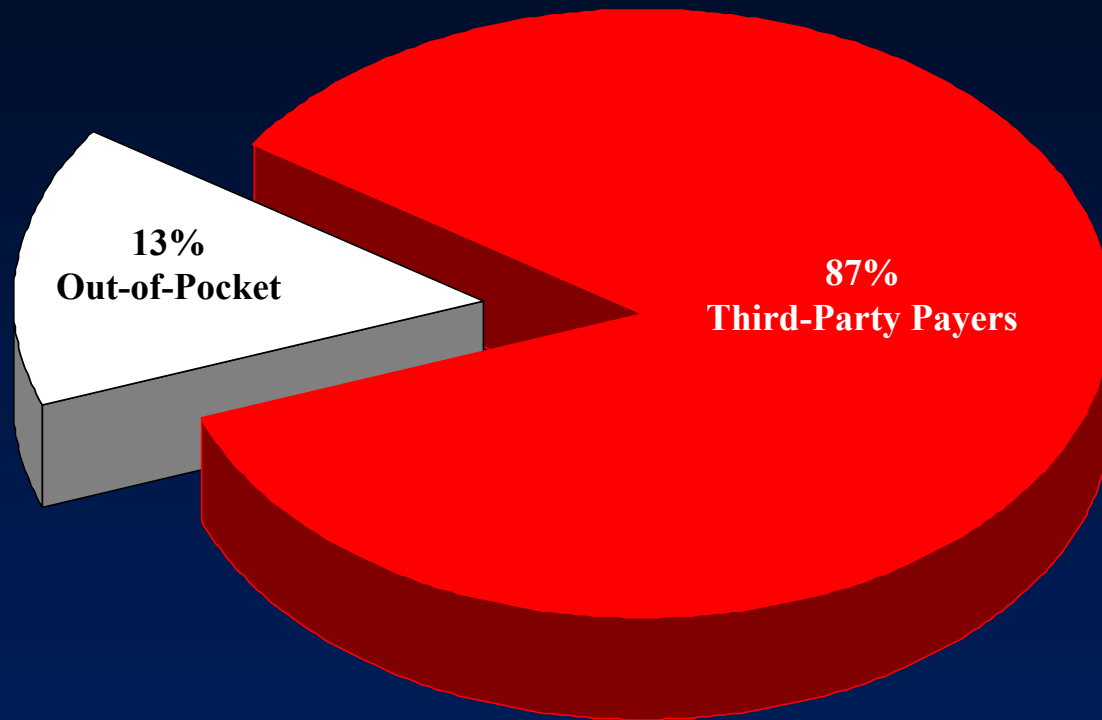


Access Problems with Health Care

- **Price Rationing Has Been Replaced By Rationing by Waiting**
 - **Does Health Insurance Matter?**
 - **Up to 14 Million People Qualify for Medicaid or SCHIP are Unenrolled**
 - **Crowds Out is 50 Percent to 75 Percent**
- ✓ *It is theoretically possible to spend vast sums of money without decreasing the uninsured.*



Source of Health Care Spending



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Lack of Competition in Health Care

- **Few Patient Pleasing Services; No e-Mail, No Telephone Consultations**
- **Only 20 Percent of Physicians Use Electronic Medical Records**
- **Only 25 Percent of Hospitals Use Electronic Medical Records**

✓ *Providers do not compete on price or quality.*

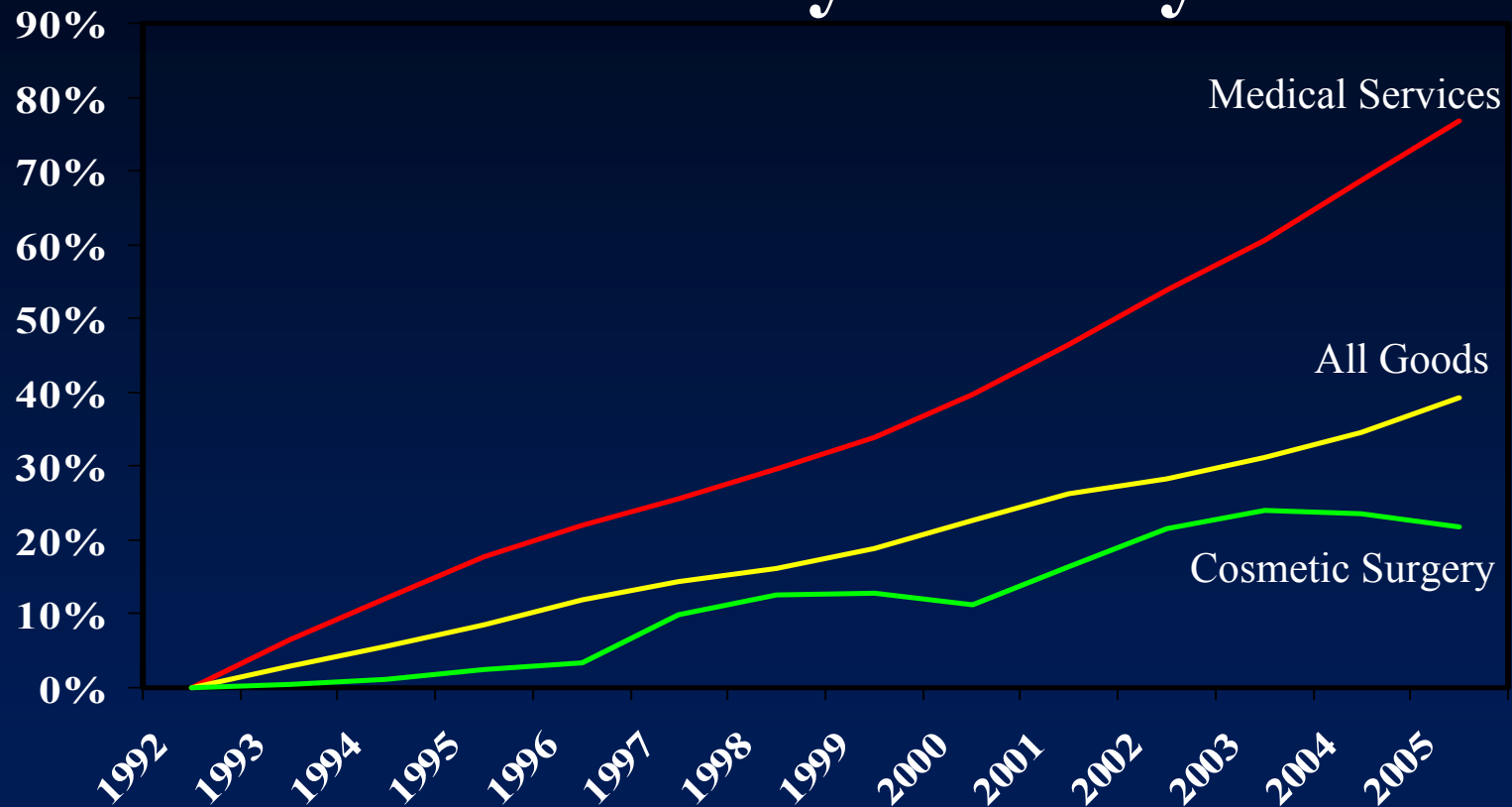


First Steps to Improve Access

- **Stop the Hemorrhaging**
 - **Stop Replacing Private Coverage with Inferior Public Coverage?**
 - **Use Charity Care Funds to Subsidize Private Coverage**
 - **Ask for Block Grants of Federal Funds**
 - **Subsidies Should be a Defined Contribution**
- ✓ *Let consumers choose their insurance choice to fit the subsidy.*



Health Care Inflation when Patients Pay Directly



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Traditional Health Plan

*Workers' health care dollars
go to insurer*



*Insurer controls how much
medical care workers use*

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Consumer Driven Health Care

A portion of workers' health care dollars goes to insurer



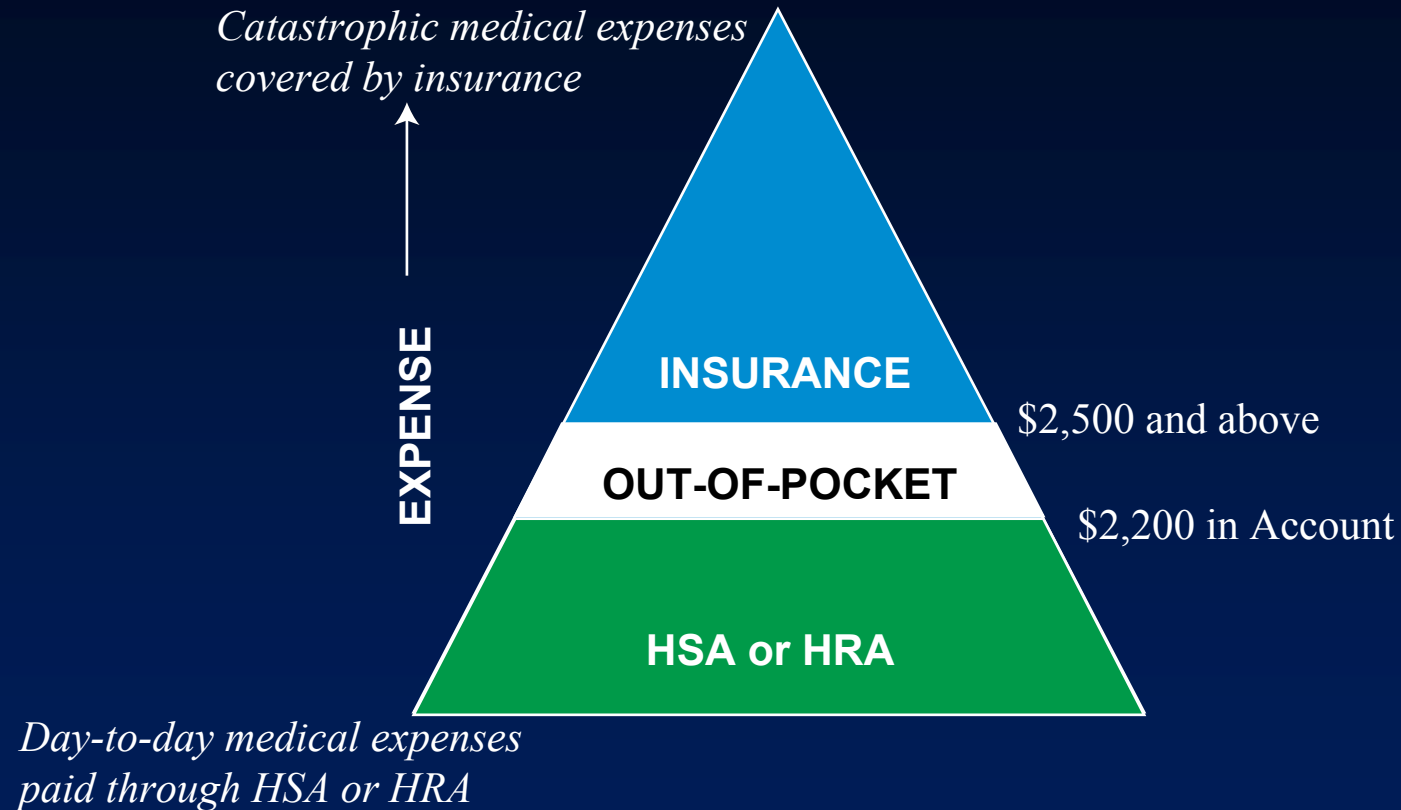
A portion of workers' health care dollars is controlled by the worker



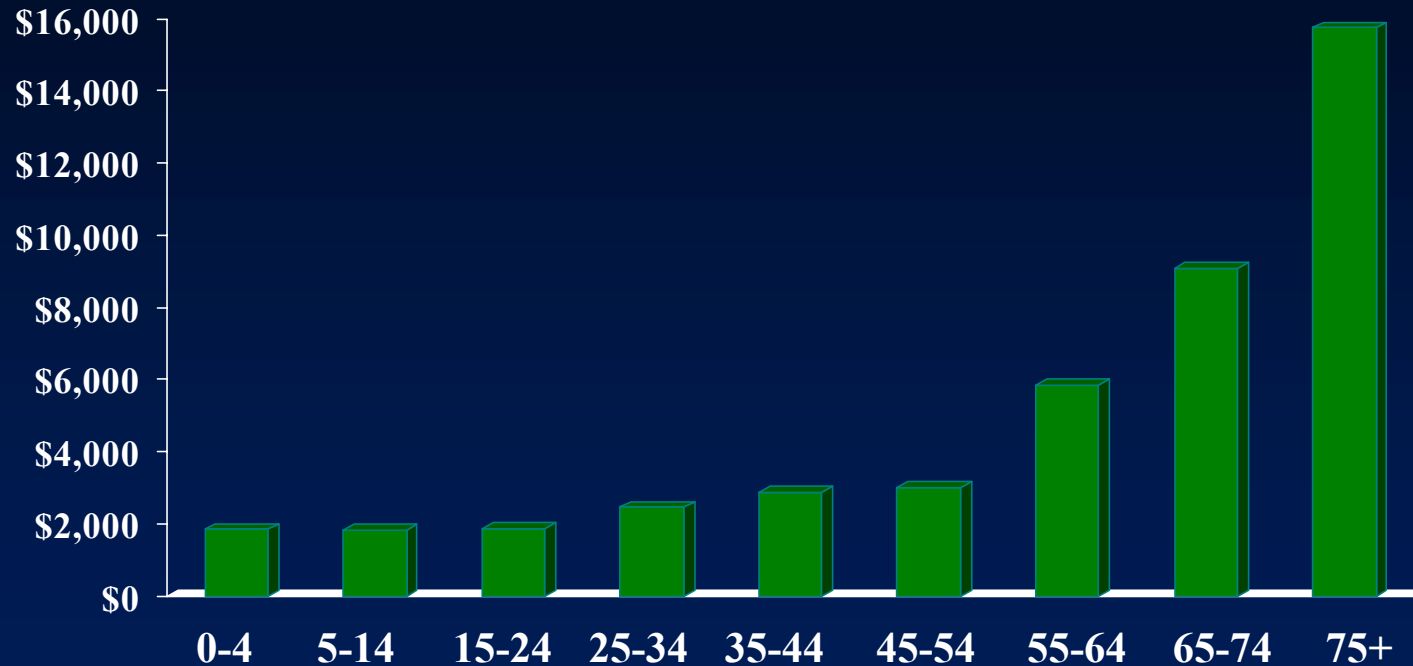
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Consumer Driven Design



Annual Cost of Medical Care by Age



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Effect on Quality

- **Engaging Patients is a Positive Outcome**
- **Information will Lead to Better Quality**
- **Physicians will Compete on Quality**
- **Patients will Make Trade-offs**
- **Some Patient will Thrive**
- **A Few will Make Poor Decisions**



Effect on Spending

- **People Protect Their Own Money**
- **Will Become More Involved in Care**
- **Providers will Begin to Compete**
- **Ask questions about Costs and Value**



Consumer Driven Health Care

- **When Patients Control More Funds:**
 - ✓ **They May Seek Innovative Providers**
 - ✓ **Ask Tough Questions about Price**
 - ✓ **May Want to Discuss Alternate Therapies**
 - ✓ **May Post Feedback on Health Web sites**



May Change the Way Patients Interact with Providers

- **Retail Clinics e.g. MinuteClinic, RediClinic**
- **Demand e-Mail and Internet Consultations.**
- **Want to Own a Personal Health Record**
- **Ordering Lab Tests Online**
- **Outsource Some Medical Tasks**

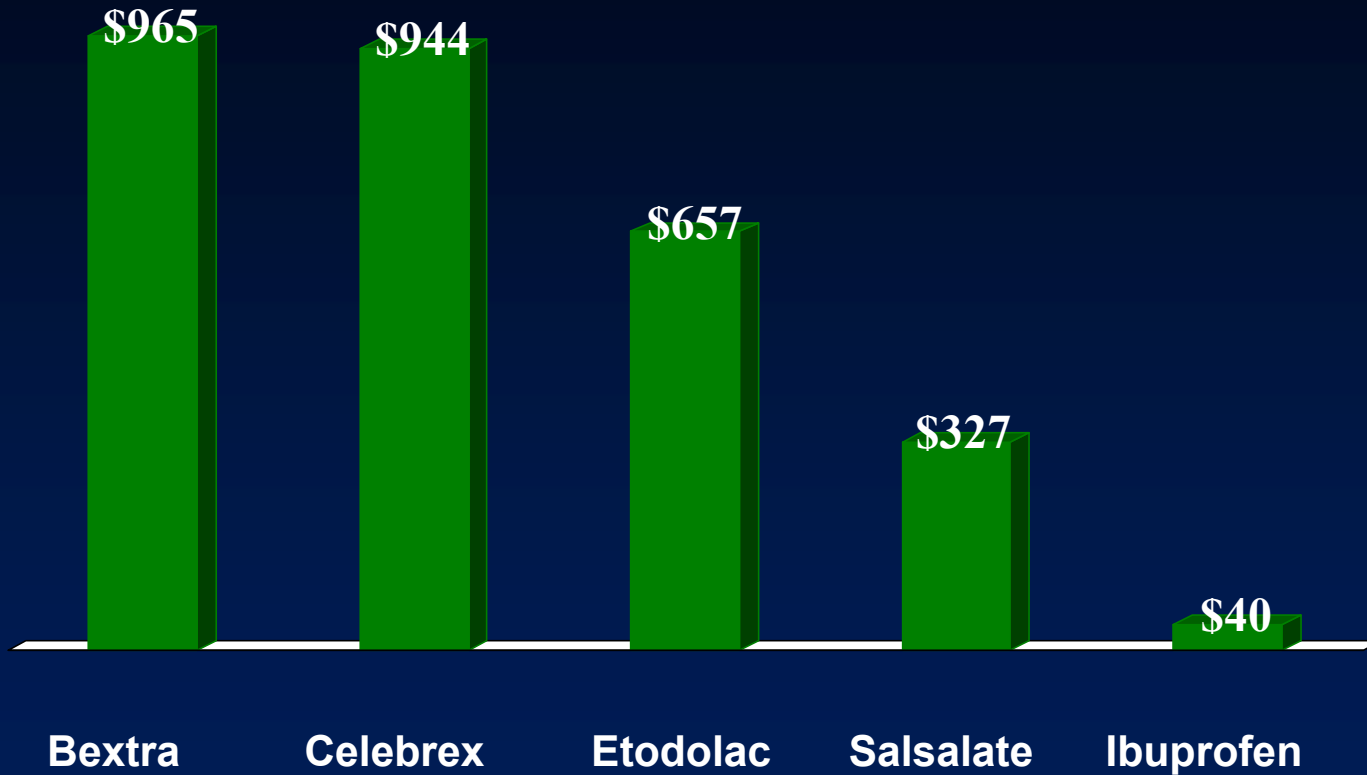


Ask Tough Questions about Price

- **People Protect Their Own Money**
- **May Ask about a Discount**
- **Question Need for Some Treatments**
- **Ask about Lab Costs**
- **Ask about Drug Costs**



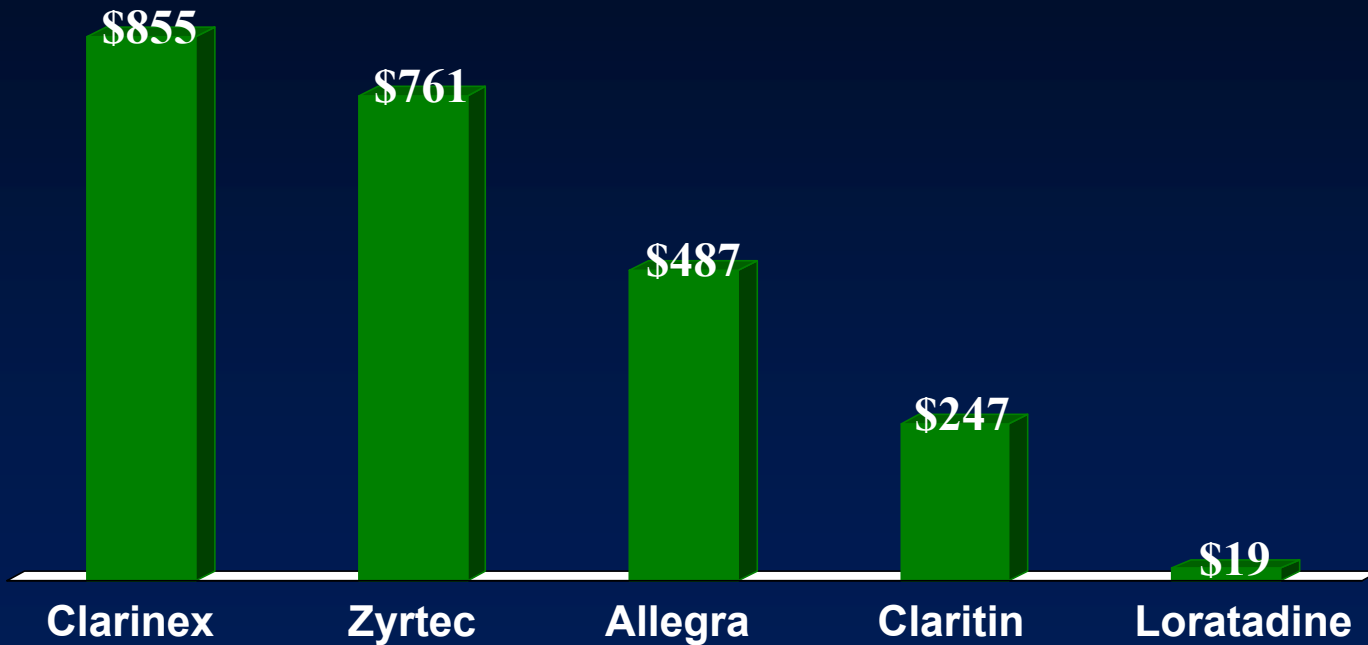
Annual Cost for Arthritis Pain Relief



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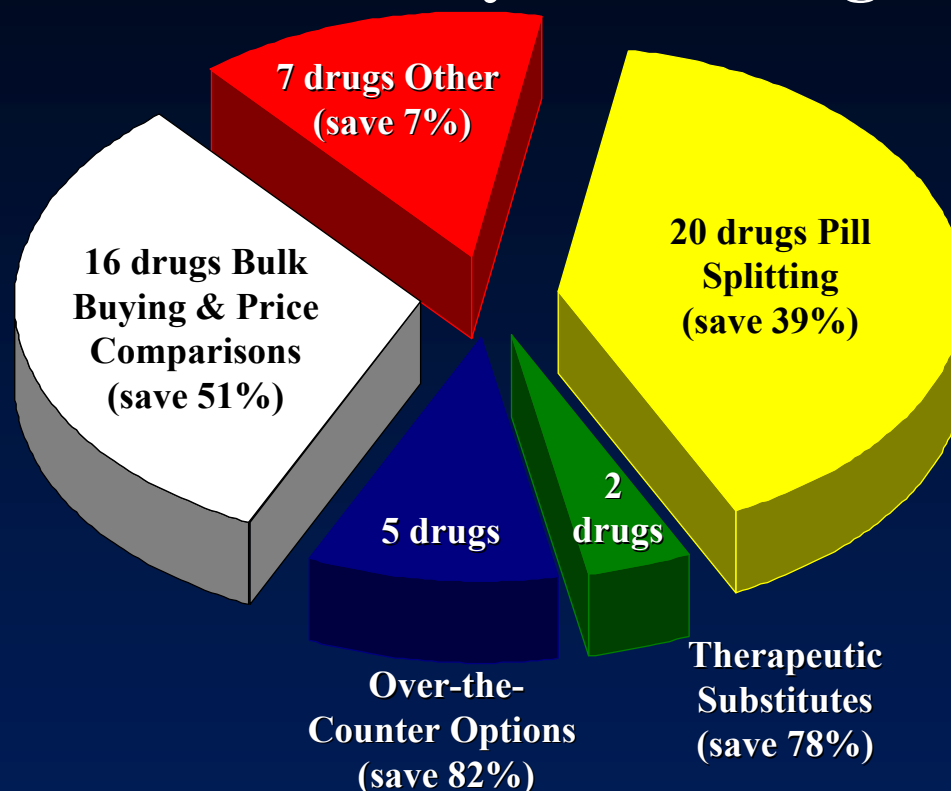
Annual Cost for Allergy Relief



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Cost-Cutting Options for Seniors: 50 Most Widely Used Drugs¹



¹ The list of drugs was compiled by PRIME Institute, University of Minnesota, and released by Families USA. See “Out-of-Bounds: Rising Prescription Drugs Prices for Seniors,” July 2003, Families USA.

Note: Indicated savings is an unweighted average for the best cost-reducing option for each drug.

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May Want to Discuss Therapies

- **May Want Information on Therapies**
- **May Request Postponing Diagnostic Tests**
- **May Wants to Shop for Better Deals**
- **May Seek Advise from Discussion Boards**



Compare Feedback on Health Web

- **Some Web sites are Beginning to Track Physician Ratings**
- **Customer Service and Waiting Time are Important**
- **Physicians May Find their Practices Blackballed.**
- **Competition will Increase**



Global Competition

- **Medical Travel will be Huge**
- **The \$10,000 Heart Bypass**
- **Insurers May Add Overseas Networks**
- **Mexico, Canada, Caribbean, Ships**



Other Thoughts

- **The \$20 Office Visit**
- **Outsourcing Interpreting Lab & X-Rays**
- **Low-Cost Chronic Disease Coaching**
- **Primary Care Physicians May Collaborate**
- **Corporate Practice of Medicine**



Conclusion

Most patients will spend less if they have a stake in the decision on how their health care dollars are spent.

Quality will improve when providers compete for patient dollars rather than looking to third parties.

